

GAO

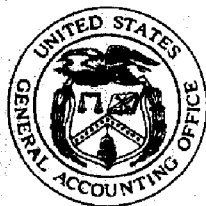
United States General Accounting Office

Report to the Commissioner
U.S. Customs Service

March 1995

MANAGING CUSTOMS

Efforts Under Way to Address Management Weaknesses





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-259118.2

March 16, 1995

The Honorable George J. Weise
Commissioner
U.S. Customs Service

Dear Mr. Weise:

In 1992, we issued a report on management weaknesses in the U.S. Customs Service.¹ That report was part of our special effort to review and report on federal government program areas that we considered "high risk." This report presents the results of our analysis of the U.S. Customs Service's efforts to address the weaknesses that we identified in 1992 and during subsequent reviews. While these efforts reflect a significant commitment, much remains to be done to better ensure that Customs detects trade violations in imported cargo; collects applicable duties, taxes, fees, and penalties; controls its financial resources; and reports on its financial operations. Therefore, we will continue to monitor Customs' progress.

In December 1992, we reported that Customs had major weaknesses in (1) mission planning; (2) financial, information, and human resource management; and (3) its organizational structure. Customs has taken action in each of these areas, and some of the more significant efforts include the following:

- Customs has revised its 1993 5-Year Plan to clarify and set priorities for its trade enforcement objectives, including fully automating its transaction processing and establishing performance accountability measurements for achieving its trade enforcement goal.
- It has improved controls over the identification and collection of duties, taxes, fees, and penalties. Specifically, Customs has developed a program intended to reliably measure the trade community's compliance with trade laws through inspections of statistically valid random samples of imported goods and examination of related import documents.
- It has reorganized its debt collection unit, formalized its collection procedures, and aggressively pursued collection of delinquent receivables.
- It has embarked on a reorganization plan to correct institutional problems related to cooperation and coordination among its programmatic units and to ensure consistency in policy implementation.

¹Managing the Customs Service (GAO/HR-93-14, Dec. 1992).

Additional efforts will be needed in Customs' financial and information systems modernization programs. For instance, years of inadequate financial management leadership have led to deficient financial management systems that do not facilitate financial reporting and control. Recognizing this, Customs stated that it has recently begun to take steps to adopt practices that leading private and public organizations have successfully used to manage their information resources. We will continue to monitor Customs' progress in this area.

Finally, our recent audits of Customs' financial statements disclosed that Customs had improvement efforts under way but had not yet fully resolved many of the financial management problems that we reported in 1992. Also, these audits identified two areas that we had not identified in our 1992 report. One concerns Customs' inability to detect and prevent duplicate or excessive claims for refunds of duties and taxes paid on imported goods that are subsequently exported or destroyed. The other relates to Customs' inability to prevent or detect unauthorized access and modifications to critical and sensitive data and computer programs.

Customs has a wide assortment of plans and a broad reorganization under way that are intended to correct identified management weaknesses, including the additional problem areas. Many of these efforts are in the early stages of development. While we believe that Customs' planned improvement efforts are appropriately focused, it is important that Customs' top and mid-level management provide the continuing support needed to ensure that these important actions are properly implemented and that the related problems do not recur. Further, we believe that there are additional actions that Customs can take in the short term, such as (1) improving guidance and oversight to ensure that agency staff understand and comply with existing procedures—that is, that they are properly performing fundamental reconciliations and supervising and approving routine transactions; (2) implementing new control procedures for reconciliations and approvals; and (3) properly analyzing data to be included in financial management reports. Other improvements, such as obtaining more useful information on unreported duties, taxes, and fees, will require longer term system changes.

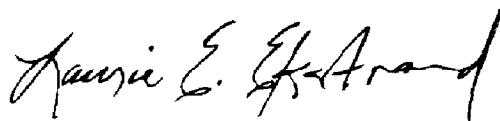
In doing our analysis, we met with Customs officials and reviewed documentation related to the corrective action that Customs has taken. See appendix I for a detailed discussion of our analysis of the management

weaknesses, including the actions Customs has taken and future action to be taken. We discussed the contents of this report with Customs officials. They agreed with the issues discussed in the report and provided clarification and technical corrections, which we included in the report, where appropriate.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs; the Senate Committee on Finance; the House Committee on Government Reform and Oversight; and the House Committee on Ways and Means. We are also sending copies to the Secretary of the Treasury, the Director of the Office of Management and Budget, and other interested parties. Copies will be made available to others upon request.

Major contributors to this report are listed in appendix II. If you need any additional information or have any further questions, please contact me on (202) 512-8777.

Sincerely yours,

A handwritten signature in cursive script, reading "Laurie E. Ekstrand".

Laurie E. Ekstrand
Associate Director, Administration
of Justice Issues

Contents

Letter	1
Appendix I	6
Detailed Analysis	6
Background	6
Improvements to Strategic Planning for Operations Have Been Initiated	7
Efforts to Increase Trade Compliance	8
Controls Over Customs' Resources Have Improved, but Serious Weaknesses Remain	9
Improvements in Information Resource Management Have Been Made, but Progress Is Slow	12
Improvements in Human Resource Management Are Being Implemented	14
Customs' Reorganization Plan Addresses Problems That Inhibited Its Mission	16
Taking Further Action	17
Appendix II	18
Major Contributors to This Report	
Related GAO Products	19

Abbreviations

ACE	Automated Commercial Environment
ACS	Automated Commercial System
CDC	Customs Distributed Computing
NAFTA	North American Free Trade Agreement
NCAP	National Customs Automation Program
SDLC	Systems development life cycle (guidelines)

Detailed Analysis

Background

The American public relies on the U.S. Customs Service to enforce trade laws and policies designed to prevent importation of foreign goods that threaten our health and safety. Customs also collects duties, fees, and taxes that have totaled about \$20 billion annually in recent years, and Customs is the initial source of trade statistics used in formulating and monitoring our nation's foreign trade policies.

To carry out its responsibilities, Customs has developed processes and systems to document, inspect, and account for the movement and disposition of imported goods and collect and account for the related revenues. However, this is an increasingly challenging task. The volume of imports has more than doubled since 1980, making it impractical for Customs to inspect all shipments. Also, recent trade agreements, such as the North American Free Trade Agreement (NAFTA), have increased the number and complexity of trade provisions that Customs must enforce. Further, U.S. and foreign businesses have become more interdependent, and Customs faces increased pressure to facilitate and avoid delaying the movement of goods across U.S. borders.

In our December 1992 high-risk report on the Customs Service, we identified a number of problems that could hinder Customs' ability to meet the challenges of the changing world trade environment. At that time, Customs did not have an effective strategic management process for guiding its operations and establishing accountability for performance. Although it had a 5-Year Plan, the plan did not set clear objectives or priorities for its trade enforcement activities or adequately set forth a means of fully automating Customs' transaction processing. Further, Customs did not have a means of measuring its success in ensuring compliance with trade laws, and there were significant weaknesses in its financial and other information management systems. We also reported deficiencies in Customs' human resource management and organizational structure.

In a January 1994 letter to the Chairman and Ranking Minority Member of the Senate Governmental Affairs Committee and to the Chairman and Ranking Minority Member of the House Government Operations Committee, we stated that Customs was in the early stages of initiating appropriate efforts to correct these problems.

Improvements to Strategic Planning for Operations Have Been Initiated

In 1992, we reported that Customs' 5-Year Plan for managing its trade enforcement activities was not effective in guiding operations and establishing accountability for performance. As a result, Customs revised its 5-Year Plan to clarify and set priorities for its trade enforcement objectives. This included plans to fully automate its transaction processing, establish performance accountability measurements for achieving its trade enforcement goal, and initiate a statistically based standard for measuring trade compliance. These initiatives have only recently been implemented, so it is too soon to assess their effectiveness.

Five-Year Plan

In September 1993, Customs issued a revised 5-Year Plan as part of its overall planning framework. The plan is intended to ensure that projects and activities are consistent with Customs' mission—to ensure that all goods entering and exiting the country do so in accordance with applicable U.S. laws and regulations. The plan consists of Customs' mission, the goals to achieve that mission, objectives to describe how to achieve each goal, projects and activities to translate the goals into results, and performance measurements to assess how well the implementation of the goals are achieving Customs' mission. Customs also prepared an annual plan that translated the broad goals of its 5-Year Plan into specific activities for each year. Customs' annual plan for July 1994 to June 1995, issued in April 1994, included detailed activities to carry out each of the objectives in the 5-Year Plan.

The plan states that Customs' trade goal is to maximize trade compliance through a balanced three-part program. First, field officials are conducting trade briefings for importers and brokers to explain how compliance measurement testing will be done and to discuss testing results. Second, Customs is targeting potential high-risk transactions and trade law violations. Third, Customs is trying to ensure that cargo that is in compliance with the trade laws is processed efficiently.

Trade Objectives Are Articulated and Priorities Established

Customs' current 5-Year Plan contains six priority trade enforcement objectives that are supported by action plans:

- improving the targeting of trade law violations by developing and refining automated systems and integrating trade information and import statistics to identify high-risk countries, transactions, and commodities;
- enhancing collection, analysis, and dissemination of commercial intelligence and trade information;

- encouraging voluntary compliance within the trade community;
- increasing trade enforcement investigations, prosecutions, and major penalty collections;
- increasing the level of international compliance and cooperation; and
- emphasizing the importance of its trade enforcement priorities through improved accountability.

Efforts to Increase Trade Compliance

Customs is currently improving its methods for targeting examinations of imported goods and related documentation by refining its selection criteria to better focus on high-risk shipments. In addition, during fiscal year 1993, Customs began conducting examinations of randomly selected samples of import shipments to develop statistically valid estimates of trade compliance for individual commodity groups arriving at selected ports.

Although some of the goods were found to be highly compliant with the specific requirements of trade laws and regulations, some types of goods, such as automobile parts, were determined to be much less compliant than Customs had previously assumed. Because these tests covered relatively few commodities, the results cannot be used to estimate overall compliance. However, they were useful in demonstrating to Customs the value of accurately measuring compliance rather than relying on perceptions of compliance. Also, they provided Customs a means of refining its sampling and testing methodology and served as a means of training Customs personnel at the district and port levels for future testing efforts.

Tests of random samples were expanded during fiscal year 1994 to cover the accuracy of the carrier's list of arriving cargo (manifest). Nationwide tests of all commodity groups are under way and will continue throughout fiscal year 1995. In addition, Customs plans to expand tests of manifest accuracy for fiscal year 1995. If properly implemented, these more comprehensive tests should provide a reliable indication of overall trade compliance nationwide and assist efforts to target high-risk shipments.

Increased Automated Transaction Processing Planned

An integral part of Customs' efforts to improve trade enforcement is its planned increased use of automated transaction processing. Although many of Customs' processes are already automated and many import documents are being submitted electronically, a significant segment is still not automated. For example, according to Customs, during fiscal year

1993, about 77 percent of sea shipment manifests were submitted electronically, while less than 20 percent of air shipment manifests were submitted in this manner. Customs recognizes that increased automation is essential to facilitate the import process, including the selection of shipments for inspection.

Controls Over Customs' Resources Have Improved, but Serious Weaknesses Remain

In 1992, we reported that Customs needed to improve controls over (1) identification and collection of revenue, (2) accounting for and reporting of accounts receivable and collection of delinquent debt, and (3) accountability for property. We noted that the problems in these areas were exacerbated by weak financial management systems that did not provide managers with the management information they needed. In accordance with the Chief Financial Officers Act, we audited Customs' fiscal years 1992 and 1993 financial statements and related internal controls. However, we were unable to express an opinion on the reliability of these statements because of unreliable financial information, inadequate financial systems and processes, and an ineffective internal control structure.

Customs has taken steps to address these problems. It has made the most progress in the areas of accounting for and reporting of accounts receivable and collecting delinquent debt. Many of the problems will require long-term efforts by Customs to effectively plan and implement solutions that will address the long-standing root causes, such as systems that were designed primarily to monitor program activity and that lack sufficient emphasis on financial reporting. Consequently, the benefits of actions in these areas are only beginning to be realized.

Effectiveness of Revenue Controls Is Still Unclear

To help ensure that all appropriate duties, fees, and taxes are paid, Customs is improving its procedures for verifying the accuracy and completeness of import entry documentation. During fiscal year 1994, Customs undertook efforts to better monitor manifest accuracy and improve controls over brokers held by bonded warehouse operators or moved to other ports prior to their release by Customs. Also, Customs' efforts to improve its cargo and entry selectivity methods, described earlier in this report, are an important part of these improvements because they should help Customs determine which controls are effective and which are not. The limited compliance measurement tests conducted to date have had mixed results, showing that compliance is high in some areas and not in others. The more comprehensive tests that Customs plans

to perform during fiscal year 1995, if carried out successfully, may allow Customs to determine to what extent it is assessing all of the revenue due on imported goods.

Accounts Receivable and Debt Collection Improvements

For fiscal year 1993, Customs was able to report on its accounts receivable more accurately because it had developed policies and methodologies for more reliably determining the validity, and estimating the collectibility, of these assets.

Also, to better manage its receivables, Customs reorganized its debt collection unit to optimize staff resources and formalized its collection procedures. Customs is also trying to reduce the number of old receivables. As of September 30, 1993, Customs reported that these efforts had resulted in the collection of \$31.6 million of the \$165 million in debt that was more than 3 years old.

In addition, Customs took steps intended to reduce future losses due to insufficient surety bonds. Customs requires trade participants to obtain surety bonds to ensure that Customs will be paid in the event that the participants cannot pay amounts that they owe. At the beginning of fiscal year 1993, Customs implemented an automated bond liability system that allows Customs personnel to annually reassess the sufficiency of most types of bonds. Further, early in fiscal year 1994, Customs established a task force to review the entire bonding process and recommend further improvements.

Greater Accountability for Property

During fiscal years 1993 and 1994, Customs took several steps to improve accountability for its property. Customs conducted a physical inventory of equipment recorded in its Property Information Management System, which accounts for approximately 83 percent of the recorded value of property. Also, Customs conducted a comprehensive study of replacement costs for all property categories, which enabled it to project the timing and expected cost of replacing such items.

However, unresolved discrepancies among property records, a problem that we identified in our 1992 report, continued during fiscal year 1993 and severely limited Customs' ability to reliably report on these assets in its financial statements. To resolve this problem, during fiscal year 1993, Customs initiated monthly reconciliations between its accounting and

logistical records. However, it could not fully reconcile the two systems as of September 30, 1993.

**Fundamental Deficiencies
in Automated Systems
Hamper Reliable Financial
Reporting**

Although Customs has improved the reliability of its financial records and reports in several areas, the automated systems deficiencies that we reported in 1992 still impede Customs' ability to develop reliable summary information in a timely manner.

Customs' systems have not been designed to provide the complete information needed for financial reports, and subsidiary systems are not integrated with Customs' general ledger. For example, Customs took almost 6 months to finalize its financial statements for fiscal years 1992 and 1993 because special computer programs had to be developed to extract needed information and some data had to be compiled manually. Also, Customs made adjustments, some of which could not be adequately supported, totaling billions of dollars.

Many of these difficulties stem from unintegrated systems that were designed primarily to monitor program activity and that lacked sufficient emphasis on financial reporting. However, problems also occurred because Customs' day-to-day processes and internal controls did not efficiently and promptly identify discrepancies that required investigation and adjustments to the accounting records.

For example, because its automated systems were not designed to categorize and report needed information, Customs' efforts to identify valid receivables and determine their collectibility were time-consuming and cumbersome. Also, discrepancies in Customs' property records occurred, in part, because these records were not integrated with the related logistical records. Further, the discrepancies were difficult to resolve because they were not promptly investigated.

**Poor Controls Over
Drawbacks**

Our audits of Customs' fiscal year 1992 and 1993 financial statements disclosed a high-risk weakness related to drawbacks that was not highlighted in our December 1992 report.¹ Drawbacks are refunds for duties and taxes paid on imported goods that are subsequently exported or destroyed. Customs cannot reliably detect and prevent duplicate and excessive drawbacks because its automated systems cannot link

¹Also, our recent audits of Customs' financial statements identified a high-risk area related to Customs' inability to control, manage, and report the results of its seizure efforts, including accountability and stewardship over tons of illegal drugs and millions of dollars in cash and other property seized.

drawbacks claims to related import entries. Customs also cannot maintain a cumulative record of the amount of duty refunded and goods exported or destroyed for each entry. During fiscal year 1993, Customs processed about 49,000 drawback claims, totaling approximately \$482 million, using manual procedures that did not ensure the validity of these claims. These deficiencies also precluded us from determining if all such payments made during fiscal year 1993 were appropriate.

As part of its Automated Commercial System (ACS) redesign efforts, Customs plans to develop the automated capabilities needed to control drawback payments effectively. However, the drawback segment of this effort is in the early design stage and not likely to be implemented for several years. Customs has planned interim solutions that should provide some assurance that drawbacks are appropriate. However, Customs will not be able to adequately determine the appropriateness of all claims until a comprehensive nationwide database is available.

Improvements in Information Resource Management Have Been Made, but Progress Is Slow

In 1992, we reported that Customs had not managed its information resources effectively. We specifically noted that because Customs did not adhere to systems development guidelines, the availability of information that Customs personnel needed for effective program execution and oversight was limited. Customs has now developed formal systems development life cycle (SDLC) guidelines. In addition, to address known deficiencies in trade compliance and the needs of a modernized Customs Service, Customs is now in the midst of a major redesign of ACS. The redesign of ACS is now called the Automated Commercial Environment (ACE). Customs is taking steps to adopt "best practices" of leading public and private organizations outlined in our May 1994 report on improving mission performance.² Customs plans to use these "best practices" as a foundation for more effectively managing its information resources. We will continue to monitor Customs' progress.

Our recent audits of Customs' financial statements identified weaknesses in computer security as a new high-risk area. Specifically, Customs' controls to prevent or detect unauthorized access and intentional or inadvertent unauthorized modifications to critical and sensitive data and computer programs were ineffective.

²Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology—Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

Systems Development Improvements

In March 1994, Customs issued systems development guidelines that were based on federal information systems guidelines. Customs' guidelines included feasibility studies, cost benefit analyses, better identification of user needs, and implementation planning.

Customs is attempting to follow these SDLC guidelines in its current systems development efforts. For example, the draft project plans for the target and analysis system project (Selectivity) and the revenue accounting project (Customs Automated Revenue Accounting) incorporate the activities required by the guidelines.

Also, consistent with SDLC, Customs is deferring any decision on a technological solution for ACE until the information requirements for ACE are defined. Specifically, the Customs Distributed Computing (CDC) 2000 hardware and software purchases are not being made with the expectation that the equipment will be used to support ACE information needs.

Plan Needed Before Customs Can Move Forward With Modernization

As part of its modernization, Customs is beginning a major reorganization and preparing to meet its legislative requirements related to Title VI of NAFTA. Title VI of NAFTA legislation requires issuance of an overall program plan for a National Customs Automation Program (NCAP). In response to the legislated requirements for establishing an automated and electronic system for processing commercial importations, Customs is attempting to define commercial operations for the future. It issued an initial concept description of the future ACE on December 30, 1993. Implementation of ACE is planned for fiscal years 1998 and 1999. Without a detailed plan for ACE, Customs will neither be able to effectively proceed with its system modernization nor fulfill the requirement to transmit to Congress an overall program plan for NCAP. Thus, Customs has already missed the requirement to submit the overall plan within 180 days of December 8, 1993, the date of enactment of the legislation.

Weak Computer Security

Our audit of Customs' fiscal year 1993 financial statements identified serious weaknesses in Customs' ability to prevent or detect unauthorized access and modifications to critical and sensitive data and computer programs. Thousands of users had inappropriate access because Customs improperly implemented off-the-shelf access control software, and some elements of Customs' data communications were inadequately protected. In addition, Customs did not (1) establish formal procedures for analyzing and investigating apparent computer security violations, (2) implement a

mechanism for routine independent assessments of its computer security program, or (3) develop a comprehensive disaster recovery plan.

Such system security problems jeopardize the security and reliability of the operations that are central to Customs' mission, including those used to (1) monitor the payment of duties, fees, and taxes; (2) identify high-risk import shipments; and (3) account for seized goods and drugs and law enforcement operations. In addition, inappropriate disclosure of sensitive importer information could occur.

Customs took immediate action to mitigate these problems shortly after we identified them. However, Customs estimated that the work needed to fully implement appropriate access restrictions would not be completed until about March 1995. We and the Department of the Treasury's Office of Inspector General, which is currently auditing Customs' fiscal year 1994 financial statements, plan to monitor the implementation of Customs' corrective actions and assess the effectiveness of these improvement efforts.

Improvements in Human Resource Management Are Being Implemented

In 1992, we reported that Customs' human resource management problems diminished its ability to effectively enforce trade laws and improve organizational performance. Customs' human resource problems stemmed from (1) an appraisal system not based on actual performance, (2) inadequate processes for dealing with ineffective managers, and (3) inadequate training programs for staff. Customs did not have a comprehensive human resource plan that supported organizational goals. Customs also did not routinely analyze information for evaluating key management resource issues.

Customs' major effort to address its human resource management problems was discussed in its 1994 reorganization report. Customs elevated its Office of Human Resources to the Assistant Commissioner level and redesigned the Office to allow for the development of an agencywide human resource management program. The reorganization report also called for improvements in Customs' performance appraisal system and staff training program. The human resource initiatives in the reorganization plan also support the goals and objectives of Customs' 5-Year Plan's management goal to redesign training so that it could more effectively combine both formal and on-the-job components. Because these initiatives have not yet been fully implemented, we cannot determine their effectiveness in addressing Customs' human resource problems.

Appraisal System

In its reorganization plan, Customs said that it will establish more flexible performance management and reward systems that will reflect employee contributions to process improvement, teamwork, and customer service goals. Specifically, Customs plans to (1) develop a performance appraisal system for each senior executive, manager, and employee to reflect contributions; and (2) ensure that Customs' reward system recognizes teamwork, customer satisfaction, and the accomplishment of mission goals. Further, Customs plans to link the objectives in its 1993 5-Year Plan with its performance appraisal system for senior executives and managers. According to Customs, this will enable it to establish performance accountability and establish a means to evaluate ineffective managers.

Training Program

Customs' 5-Year Plan and annual plan for the period ending in June 1995 provided detailed actions to improve its staff training program. The management goal of Customs' 5-Year Plan is to create a work environment that enables Customs employees to make their maximum contribution to Customs' mission. One of the objectives of that goal is to redesign training content and to more effectively combine formal and on-the-job components. The plan identified training as an integral function of Customs in that it is the single activity where the requirements of all of the other goals converge. Specifically, Customs officials said that their employees need training in data analysis and the use of sophisticated detection devices to improve their ability to identify trade violations.

Customs plans to link training design and delivery more closely with other goals. For example, Customs plans to conduct systematic job task analyses to determine the skills and the types of training needed to achieve its trade enforcement goal of maximizing trade compliance. Customs also plans to establish a training evaluation program to continually monitor the quality and appropriateness of training. To implement this objective, Customs' annual plan for the period July 1994 to June 1995 calls for the use of business process improvement techniques to enhance its ability to identify gaps between existing and required skill levels.

In its annual plan, Customs stated that it will develop an analytic method to determine the most cost-effective way to deliver training. Customs also plans to utilize postgraduation surveys of trainees and their supervisors to assess training effectiveness. These techniques are to be used to identify the specific training employees need to achieve Customs' mission and to determine whether needs are being met.

Customs' Office of Human Resources Has Initiated a Plan to Support Organizational Goals

Customs recognized the need to institute a human resource management program that identifies agencywide workforce issues, establishes measurable goals, develops implementation plans, and monitors and evaluates progress toward achieving these goals. Specifically, according to Customs, the Office of Human Resources has completed a human resource management plan for four Customs occupations: (1) inspector, (2) import specialist, (3) auditor, and (4) criminal investigator. Customs said that this plan provides the framework for addressing workforce and occupational trends with a focus on future program and recruiting needs. According to Customs, it will now be able to evaluate key management issues more effectively. Customs has initiated studies of its recruitment activities and workforce database needs, and it has contracted for an external review of its training programs.

Customs' Reorganization Plan Addresses Problems That Inhibited Its Mission

To address organizational-related problems, Customs' reorganization study team issued a report in September 1994. The report addresses the issue of how Customs will reorganize the agency to correct institutional problems, such as those related to cooperation and coordination among its programmatic units. The report also addresses replacement of Customs' field structure with one that is more conducive to ensuring consistency in policy implementation.

The plan recommended specific organizational changes:

- Regions and districts should be replaced with 20 Customs management centers to provide training, evaluation, and oversight of ports and port processes. The 20 centers are to oversee execution of the core business processes at the ports within their areas. Their most important function is to ensure that Customs delivers uniform high-quality service at their ports. The centers' employees are to work with headquarters to develop workable policies for the field and will work with port directors to achieve national goals.
- Special Agents in Charge should be colocated with the Customs management centers to foster the development of integrated strategies for improving service to customers.
- Customs headquarters should be restructured to provide an agencywide focus to reduce the number of issues requiring resolution by the Office of the Commissioner, facilitate the process management system, and provide the framework for pursuing a significant reduction in headquarters staffing. For example, the goal is to reduce headquarters staff from 1,800 to 1,200 permanent full-time positions. The reorganization report

described this goal as “ambitious” because it depends heavily on the implementation of National Performance Review recommendations relating to this reduction. The reduction goal is based on the premise that Customs headquarters should be focused on policy formulation and oversight, not on day-to-day operational issues.

Taking Further Action

Customs has plans or actions under way to address most of the major problems we have identified in our prior reports. Some of these actions can be implemented relatively quickly, while other improvements will take years. While we believe that Customs’ planned improvement efforts are appropriately focused, it is important that Customs’ top management provides the continuing support needed to ensure that these important actions are properly implemented and that the related problems do not recur. Further, we believe that there are additional actions that Customs can take in the short term, such as (1) improving guidance and oversight to ensure that agency staff understand and comply with existing procedures—that is, properly performing fundamental reconciliations and supervising and approving routine transactions; (2) implementing new control procedures for reconciliations and approvals; and (3) properly analyzing data to be included in financial management reports. Other improvements, such as obtaining more useful information on unreported duties, taxes, and fees, will require longer term system changes.

Major Contributors to This Report

General Government
Division, Washington,
D.C.

James M. Blume, Assistant Director, Administration of Justice Issues
Wendy C. Graves, Evaluator-in-Charge

Accounting and
Information
Management Division,
Washington, D.C.

Jean L. Boltz, Assistant Director
Antionette Cattledge, Assistant Director
Gary T. Engel, Assistant Director

Related GAO Products

Financial Audits: CFO Implementation at IRS and Customs
(GAO/T-AIMD-94-164, July 28, 1994).

Financial Audit: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Management: Control Weaknesses Limited Customs' Ability to Ensure That Duties Were Properly Assessed (GAO/AIMD-94-38, Mar. 7, 1994).

GAO High-Risk Program (GAO/AIMD-94-72R, Jan. 27, 1994).

Financial Management: Customs' Accounting for Budgetary Resources Was Inadequate (GAO/AIMD-94-23, Dec. 14, 1993).

Financial Management: Customs' Accountability for Seized Property and Special Operation Advances Was Weak (GAO/AIMD-94-06, Nov. 22, 1993).

Financial Management: Customs Did Not Adequately Account For or Control Its Accounts Receivable (GAO/AIMD-94-5, Nov. 8, 1993).

Financial Management: Customs' Self-Assessment of Its Internal Controls and Accounting Systems Is Inadequate (GAO/AIMD-94-8, Oct. 27, 1993).

Financial Management: Customs Lacks Adequate Accountability Over Its Property and Weapons (GAO/AIMD-94-1, Oct. 18, 1993).

Financial Management: First Financial Audit of Customs Revealed Serious Problems (GAO/T-AIMD-94-3, Oct. 5, 1993).

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Financial Audit: Examination of Customs' Fiscal Year 1992 Financial Statements (GAO/AIMD-93-3, June 30, 1993).

Managing the Customs Service (GAO/HR-93-14, Dec. 1992).

Customs Service: Trade Enforcement Activities Impaired by Management Problems (GAO/GGD-92-123, Sept. 24, 1992).

Related GAO Products

Financial Management: Customs Needs to Establish Adequate Accountability and Control Over Its Resources (GAO/AFMD-92-30, Aug. 25, 1992).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

